



Operations Support Services Division
P.O. Box 942707
Sacramento, CA 94229-2707
Telecommunications Device for the Deaf - (916) 795-3240
(916) 795-3675, FAX (916) 795-3659

December 16, 2008

AGENDA ITEM 5

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** Procedures for Board's Award of CalPERS Contracts
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** Staff recommends that the Board modify the existing scoring policy as described herein.
- IV. ANALYSIS:**

At the October 21, 2008, Benefits and Program Administration Committee (BPAC) meeting, Operations Support Services Division (OSSD) presented the existing "Procedures for Board's Award of CalPERS Contracts". At that time the Committee directed staff to bring back an action item to revise the existing procedures.

Existing Policy

On November 19, 2003, the Board adopted the current policy "Procedures for Board's Award of CalPERS Contracts". The policy states "that each time the Board approves an individual contract solicitation, it also (1) sets the maximum point allocations for scoring by staff and by the Board, and (2) designates "Method B" for the apportionment method, for the Board's interview points for the contract" (see Attachment 1, page 4). Method B provides:

The RFP would specify the total available points to be awarded by the Board, and the maximum number of points would be awarded to the Board's highest ranked bidder, and the remaining bidders would receive points

proportionate to their ranking, the incremental difference between bidders to be determined by dividing the number of points by the number of finalists. The Board, by motion, would determine the rank of the bidders. For example, under this method, if 400 points were to be awarded by the Board and there were four finalists, the first-ranked finalist would receive 400 points, the second-ranked finalist would receive 300 points, the third-ranked finalist would receive 200 points, and the fourth-ranked finalist would receive 100 points. The contract would be awarded to the bidder receiving the highest total points. The Board's second choice would be the bidder with the second-highest total.

The current policy has the potential to dilute the effect of the Board's participation in the selection process if a high number of finalists are scored. In contrast, if there are a small number of finalists, the current policy has the potential to increase the Board's influence because the incremental difference between the interview scores would be greater. An illustration of the effect the number of finalists has on the outcome of the selection process is included in Attachment 2.

Discussion

The Board oversees two types of RFP's, single award and pool awards. A single award is when only one vendor is selected for the service. A pool award allows multiple companies to become part of a "pool" of vendors that can perform those tasks for the Board, such as the Investment Office General Pension Consultant Spring Fed Pool.

With this in mind, the existing policy could be changed to reflect two types of scoring methods. One scoring method could be used for single awards and a second method for pool awards.

With a single RFP award, the scoring method could remain similar to the existing policy (Method B) with a modification that up to the top four bidders would be scored, and the incremental score difference between bidders would be 25 percent. So that, if 400 points are available for the Board interview, the first place finalist would receive 400 points and the second place finalist would receive 300 points and so forth. To illustrate another example, if the Board has 800 points available for the Board interview, first place would receive 800 points, second place would receive 600 points, third place would receive 400 points and fourth place would receive 200 points. The scoring is illustrated in Attachment 3 and is consistent with the modification the Board made to the GOVA federal

legislative representative services RFP. It is possible that the first place selection by the Board would not receive the highest score if the bidder receives low technical and fee scores as illustrated on the second page of Attachment 3.

In the case where there are less than four bidders, then the scoring would still follow the 25 percent incremental reduction in scores. For example, if there are only two bidders and 400 points available for the Board interview, the first place bidder would receive 400 points and the second place bidder would receive 300 points.

With a Pool RFP award, numerous bidders should be considered for the pool, therefore scoring only up to the top four bidders may not appropriate. In the case of a Pool RFP, scoring should follow a method to allow multiple vendors to be awarded a pool contract. The method would require the vendor to pass the technical phase with a minimum score of 70 percent to move to the fee phase. The bidder must also pass the fee phase with a minimum score of 70 percent to move to the Board interview phase. During the Board interview, the Board will rank all finalists, regardless of the number of finalists. Staff will take the Board ranking and utilize the apportionment method to assign points to each of the Board ranked finalists. Technical, fee and Board points will then be combined resulting in a final ranking. The proposals with the highest scores determined by the Board will be eligible for a pool contract. If the Board elects not to do an interview for the Pool, then the bidders that passed the technical and fee phases with a minimum score of 70 percent would be eligible for a pool contract (generally the Board does not interview pool finalists for pool RFP's). The scoring is illustrated in Attachment 4.

Recommendation

Staff recommends that the Board approve the two scoring methods for "Procedures for Board's Award of CalPERS Contracts". The policy will state:

"Each time the Board approves an single RFP award contract solicitation, it will (1) set the maximum point allocations for scoring by staff and by the Board, and (2) up to the top four bidders would be scored, and (3) the maximum number of points would be awarded to the Board's highest ranked bidder and the incremental score difference between bidders would be 25 percent. For example, under this method, if 400 points were awarded by the Board and there were four finalists, the first-ranked finalist would receive 400 points, the second-ranked finalist would receive 300 points, the third-ranked finalist would receive 200 points and so forth. In the case where there are less than four bidders, then

the scoring would still follow the 25 percent incremental reduction in scores. The contract would be awarded to the bidder receiving the highest total points.”

“Each time the Board approves a Pool RFP contract solicitation; it will (1) set the maximum point allocations for scoring by staff and by the Board, and will (2) follow a method that requires the vendor to pass the technical phase with a minimum score of 70 percent to move to the fee phase. The bidder must also pass the fee phase with a minimum score of 70 percent to move to the Board interview phase. During the Board interview, the Board will rank all finalists, regardless of the number of finalists. Staff will take the Board ranking and utilize the apportionment method to assign points to each of the Board ranked finalists. Technical, fee and Board points will then be combined resulting in a final ranking. The proposals with the highest scores determined by the Board will be eligible for a pool contract. If the Board elects not to do an interview for the Pool, then the bidders that passed the technical and fee phases with a minimum score of 70 percent would be eligible for a pool contract.”

V. STRATEGIC PLAN:

This item is not a specific product of the strategic plan, but is the result of a special request by the Benefits and Program Administration Committee.

VI. RESULTS/COSTS:

This does not result in any costs.

KIM MALM, Chief
Operations Support Services Division

JOHN HIBER
Assistant Executive Officer
Administrative Services Branch

Attachments